

The Impact of Refugee Resettlement on the Greek Economy

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The Economic History of Modern Greece

The Asia Minor campaign began in March of 1921 and culminated with the destruction of the port of Smyrna in what has been named the “katastrofi” of 1922. Following the Asia Minor “katastrofi”, Greece and Turkey signed the Treaty of Lausanne in January 1923 that involved an exchange of Turks and Bulgarians from Greece for the Greeks living in Turkey. Simultaneously, the agreement further specified that eastern Thrace, and the islands of Imbros and Tenedos would be returned to Turkey such that at the same moment that Greek territory was diminished, her population swelled with a massive influx of refugees. Prior to January 1923 more than 900,000 Asia Minor Greeks had already flooded into Greece and when the exchange was completed in December 1924 1,221,849 Greeks and 45,000 Armenians had come to Greece while a scant 610,146 Turks and Bulgarians departed for Turkey.¹ The overnight 13% increase in Greece’s population created enormous economic upheaval by accentuating the already existing trends in the Greek economy thereby forcing Greeks to confront the critical issues of internal and economic development immediately.

The most immediate requirement was the resettlement of the refugees. To accomplish this task Greece sought the aid of the League of Nations. This gave way to the formation of the Refugee Settlement Commission (RSC) established for the explicit purposes of: overseeing the allocation of the sterling loan granted by the

¹ A.F. Freris. The Greek Economy in the Twentieth Century. Croom & Helm: London. 1986: 43.

League, supervising the distribution of land and the building of houses for the refugees. The tendency of refugees to settle in urban and semi-urban areas is dually noted in the comparison of the census of 1920 which indicated 63.7% of the population lived in rural areas, 9.7% in semi-urban and 26.6% in urban areas. By contrast, the census of 1928 revealed these percentages had changed to 54.4%, 14.5% and 31.1% respectively.² Athens, Piraeus and Salonika were ringed by shanty towns and the 1928 census indicated that over one-third were in “squalid dwelling, mere hovels which should be diminished at the earliest opportunity”.³ The RSC had the greatest impact, however, upon the rural and semi-urban populations that numbered upwards of 615,000 and of whom 90% were settled in the areas Macedonia and western Thrace.⁴ For these peoples, the presence of the RSC was critical as it provided livestock, farming tools and technical advice to the farmers, supervised the building of houses and made various infrastructural improvements to the benefit of all. Noting the lack of a survey of the value, extent and ownership of land, the RSC undertook its own survey which, by 1930, included indigenous farmers as well as refugees. The ramifications of the survey were far-reaching as it outlined the methods by which land would be utilized and divided.

The strategies for economic development debated during this period stemmed from the problem of land scarcity. With the wave of refugees that flooded Greece came the demand for arable land which provided a reason to finalize the land distribution issue that had plagued the country since 1900. Between 1900 and 1917 the Greek government passed a number of measures to eradicate large land

² Ibid., 45.

³ Mark Mazower. Greece and the Inter-War Economic Crisis. Oxford: Clarendon Press. 1991:49.

ownership. The final impetus for change occurred with the arrival of the landless refugees that prompted the passing of the Agrarian Law which stated all publicly owned estates and private properties greater than ten hectares in Thrace and northern Greece and 30 hectares elsewhere were subject to expropriation to landless peasants. The problem with such a system was that it turned Greece into a nation of small holders and with the passing of each generation, taking into account inheritance customs, these already small plots would become fragmented strips. The 1928 census indicated that three-quarters of the cultivated area was farmed in units of less than ten hectares. The economic impact of land reforms is unequivocal since after 1922 the total cultivated area gradually increased where the rate of expansion in the new territories of Macedonia and western Thrace was the most rapid. Prior to 1922 the cultivated area in Macedonia was 275,000 hectares and Thrace had 72,000 hectares; between 1922 and 1931 the cultivated area increased to 550,000 hectares and 148,000 hectares, respectively.⁵ In central Greece, where few refugees settled, it rose more slowly from 260,000 hectares to 330,000 hectares.⁶ The manner in which the refugees utilized the land they were given, that is, the crops they cultivated had a lasting effect on the agricultural output of Greece.

The composition and structure of agricultural production in Greece changed dramatically since refugees tended to cultivate crops native to Turkey and foreign to Greece. They accelerated the process away from currants, which had long dominated agricultural and export trade, and towards traditional Turkish crops such as tobacco, cotton, sultanas and wine grapes. Between 1911 and 1920 Greece produced 23,335

⁴ A.F. Freris, 51.

⁵ Mark Mazower, 79-80.

tons of tobacco per annum and 6,700 tons of cotton per annum while between 1921 and 1930 output increased dramatically to 53,600 tons of tobacco per annum and 9,419 tons of cotton per annum.⁷ The addition of tobacco as an export crop had a profound effect on the Greek economy as exports soared and money flowed into a previously war-torn region and by 1929 certain areas had become entirely dependent on the tobacco crop. The RSC and the government encouraged tobacco cultivation as it is an extremely labor-intensive crop that is, also, highly remunerative and was conveniently well-suited to the small holdings of the refugees. By the mid-twenties, tobacco constituted almost one-fifth of the total gross crop output though it was only grown on one-tenth of the cultivated area but still constituted one-half of total Greek export earnings. In tandem with the increase of the production of tobacco was the decrease in cereal production since farmers could grow no more than one or two months' supply on their small plots of land. The practicality of growing wheat was compounded by high fertilizer prices, bad weather, primitive crop rotations and poor seed which all depressed the cereal yields through the 1920s; this kept overall agricultural output at low levels.

In contrast with the difficulties faced by the agricultural sector of the economy, the 1920s were a period of rapid, though tumultuous, growth for Greek industry. The addition of more than 1.2 million new consumers to the domestic market boosted the output of food processing, textiles and the clothing industry. Additionally, rehousing the refugees benefited the construction and building industries. The economic problems and pressures that confronted the refugees encouraged them to

⁶ Ibid., 80.

⁷ A.F. Freris, 48.

utilize their entrepreneurial skills to ensure their survival; they established industries native to Turkey, such as silk and carpet weaving, but foreign to Greece. The situation in 1920 compared to that of 1930 offers a quantitative approach to the effects of the influx of refugees. Industrial employment between 1920 and 1930 increased by more than 80% and the number of industrial establishments rose 126.5%.⁸ The changes in the composition of industrial output are most pronounced in the spinning and textile sector that increased from a 9.2% contribution to total value of industrial output in 1921 to 27.6% in 1930. The rapid increase of new entrants from 46 new enterprises in 1922 to 192 new enterprises in 1928 was concentrated in the food processing sector and, undoubtedly, was due to the influx of refugees.⁹ The impact of the refugees on industry was primarily to exacerbate tendencies and trends that were already present upon their arrival.

The most direct effect of the refugees on the economy was the fiscal costs or benefits that their presence entailed. In an accounting of the costs of the refugees including: interest rate and capital repayment on government contracted loans, ancillary services including compensation and resettlement payments, and 15% of general expenditures (as they constituted approximately 15% of the population) the net total of expenditures (costs) ranges between 7.2 and 11 billion drachmas. An accounting of the benefits includes: 15% of all collected taxes and the refugee loan repayment contribution that, together, totals between 8.6 and 11 billion drachmas. Their net contribution, therefore, exceeds the cost of their arrival and by 1932 Greece had incurred no net losses, but rather gains.

⁸ A.F. Freris, 48.

⁹ A.F. Freris, 50.

The refugees provided an impetus for land reform and infrastructural development, diversified the composition of agricultural output, boosted already existing industry, generated entrepreneurial skills and introduced new enterprises. While their overall contribution to costs and benefits actually yielded a surplus it seems unlikely that the Greek economy would have developed in a fundamentally different manner. All available evidence is indicative of the fact that the refugees accentuated the already existing trends in the Greek economy thereby accelerating the direction in which the economy was already moving.

Well researched
clearly presented.

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